(5) Your lease is on a field that did not produce before enactment of the DWRRA, or if you propose a project to significantly expand production under a Development Operations Coordination Document (DOCD) or a supplementary DOCD, that MMS approved after November 28, 1995.

§ 203.2 How can I get royalty relief?

We may reduce or suspend royalties for Outer Continental Shelf (OCS) leases or projects that meet the criteria in the following table.

If you have a lease . . .	And if you . . .	Then we may grant you . . .
(a) With earnings that cannot sustain production (i.e., *End-of-life lease*).	Would abandon otherwise potentially recoverable resources but seek to increase production by operating beyond the point at which the lease is economic under the existing royalty rate.	A reduced royalty rate on current monthly production and a higher royalty rate on additional monthly production. (See §§ 203.50 through 203.56.)
(b) Located in a designated GOM deep water area, and acquired in a lease sale before November 28, 1995, or after November 28, 2000, and you propose in a DOCD or supplement to expand production significantly.	Are producing and seek to increase ultimate resource recovery from one or more reservoirs not previously or currently producing on the field or lease, not simply extend recovery of reservoirs that already produced. (*Expansion project*).	A royalty suspension for additional production large enough to make the project economic. (See §§ 203.60 through 203.79.)
(c) Located in a designated GOM deep water area and acquired in a lease sale held before November 28, 1995 (*Pre-Act lease*).	Are on a field from which no current pre-Act lease produced (other than test production) before November 28, 1995 (*Authorized field)*.	A royalty suspension for a minimum production volume plus any additional volume needed to make the field economic. (See §§ 203.60 through 203.79.)
(d) Located in a designated GOM deep water area and acquired in a lease sale held after November 28, 2000.	Have not produced and can demonstrate that the suspension volume, if any, in your lease is not enough to make development economic (*Development project*).	A royalty suspension for a minimum production volume plus any additional volume needed to make your project economic. (See §§ 203.60 through 203.79.)
(e) Where royalty relief would recover significant additional resources or, in certain areas of the GOM, would enable development.	Are not eligible to apply for end-of-life or deep water royalty relief, but show us you meet certain elligibility conditions.	A royalty modification in size, duration, or form that makes your lease or project economic. (See § 203.80.)

[67 FR 1872, Jan. 15, 2002]

§ 203.3 Why must I pay a fee to request royalty relief?

(a) When you submit an application or ask for a preview assessment, you must include a fee to reimburse us for our costs of processing your application or assessment. Federal policy and law require us to recover the cost of services that confer special benefits to identifiable non-Federal recipients. The Independent Offices Appropriation Act (31 U.S.C. 9701), Office of Management and Budget Circular A–25, and the Omnibus Appropriations Bill (Pub. L. 104–133, 110 Stat. 1321, April 26, 1996) authorize us to collect these fees.

(b) We will specify the necessary fees for each of the types of royalty-relief applications and possible MMS audits in a Notice to Lessees. We will periodically update the fees to reflect changes in costs as well as provide other information necessary to administer royalty relief.

§ 203.4 How do the provisions in this part apply to different types of leases and projects?

The tables in this section summarize how similar provisions of this part apply in different situations.

(a) We require the information elements indicated by an X in the following table and described in §§ 203.51, 203.62, and 203.81 through 203.89 for applications for royalty relief.

Information elements	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) Administrative information report	X	X	X	X
(2) Net revenue and relief justification report (prescribed format)	X			

Information elements	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(3) Economic viability and relief justification report (Royalty Suspension Viability Program (RSVP) model inputs justified with Geological and Geophysical (G&G), Engineering, Production, & Cost reports)		X	X	X
(4) G&G report		X	X	X
(5) Engineering report		X	X	X
(6) Production report		X	X	X
(7) Deep water cost report		X	X	X

(b) We require the confirmation elements indicated by an X in the following table and described in §§ 203.70, 203.81 and 203.90 through 203.91 to retain royalty relief.

Confirmation elements	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) Fabricator's confirmation report		X	X	X
(2) Post-production development report approved by an independent certified public accountant (CPA)		X	X	X

(c) The following table indicates by an X, and §§ 203.50, 203.52, 203.60 and 203.67 describe, the prerequisites for our approval of your royalty relief application.

Approval conditions	End-of-life lease	Deep water		
		Expansion	Pre-act lease	Development project
(1) At least 12 of the last 15 months have the required level of production	X			
(2) Already producing	X			
(3)A producible well into a reservoir that has not produced before		X	X	X
(4) Royalties for qualifying months exceed 75% of net revenue (NR)	X			
(5) Substantial investment on a pre-Act lease (e.g., platform, subsea template)		X		
(6) Determined to be economic only with relief		X	X	X

(d) The following table indicates by an X, and §§ 203.52 and 203.74 through 203.75 describe, the prerequisites for a redetermination of our royalty relief decision.

Redetermination conditions	End-of-Life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) After 12 months under current rate, criteria same as for approval	X			
(2) For material change in geologic data, prices, costs, or available technology		X	X	X

(e) The following table indicates by an X, and §§ 203.53 and 203.69 describe, the characteristics of approved royalty relief.

Relief rate and volume, subject to certain conditions	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) One-half pre-application effective lease rate on the qualifying amount, 1.5 times pre-application effective lease rate on additional production up to twice the qualifying amount, and the pre-application effective lease rate for any larger volumes	X			
(2) Qualifying amount is the average monthly production for 12 qualifying months	X			
(3) Zero royalty rate on the suspension volume and the original lease rate on additional production		X	X	X
(4) Suspension volume is at least 17.5, 52.5 or 87.5 million barrels of oil equivalent (MMBOE)			X	
(5) Suspension volume is at least the minimum set in the Notice of Sale, the lease, or the regulations		X		X
(6) Amount needed to become economic		X	X	X

(f) The following table indicates by an X, and §§ 203.54 and 203.78 describe, circumstances under which we discontinue your royalty relief.

Full royalty resumes when	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) Average NYMEX price for last 12 months is at least 25 percent above the average for the qualifying months	X			
(2) Average NYMEX price for last calendar year exceeds $28/bbl or $3.50/mcf, escalated by the gross domestic product (GDP) deflator since 1994		X	X	
(3) Average prices for designated periods exceed levels we specify in the Notice of Sale or the lease		X		X

(g) The following table indicates by an X, and §§ 203.55 and 203.76 through 203.77 describe, circumstances under which we end or reduce royalty relief.

Relief withdrawn or reduced	End-of-life lease	Deep water		
		Expansion project	Pre-act lease	Development project
(1) If recipient requests	X	X	X	X
(2) Lease royalty rate is at the effective rate for 12 consecutive months	X			
(3) Conditions occur that we specified in the approval letter in individual cases	X			
(4) Recipient does not submit post-production report that compares expected to actual costs		X	X	X
(5) Recipient changes development system		X	X	X
(6) Recipient excessively delays starting fabrication		X	X	X
(7) Recipient spends less than 80 percent of proposed pre-production costs prior to start of production		X	X	X
(8) Amount of relief volume is produced		X	X	X

[67 FR 1873, Jan. 15, 2002]

Subpart B—OCS Oil, Gas, and Sulfur General

SOURCE: 63 FR 2618, Jan. 16, 1998, unless otherwise noted.

ROYALTY RELIEF FOR END–OF–LIFE LEASES

§ 203.50 Who may apply for end-of-life royalty relief?

You may apply for royalty relief in two situations.

(a) Your end-of-life lease (as defined in § 203.2) is an oil and gas lease and has average daily production of at least 100 barrels of oil equivalent (BOE) per